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SUBJECT: JAPANESE CARS: FIFTEEN YEARS OF MOSCOW/FAR EAST  
DISAGREEMENT

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¶1. Summary. The subject of imported Japanese vehicles has come to the forefront in recent months, but it is not a new issue. The conflict between Far East residents and Moscow over the right-hand drive used cars dates back over fifteen years, and has consistently been one of the few social issues that can reliably draw protestors in the Far East. The issue comes to the forefront every few years, with authorities framing disapproval of Japanese imports in various ways. The residents of the Russian Far East hold steadfastly to their conviction that the imports are less expensive and much more reliable than Russian-made alternatives and readily take to the streets when Moscow makes importing autos more difficult. The following is a brief overview of the decade-and-a-half disagreement over imported used cars from Japan.

#### Legitimizing the Trade

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¶2. The problem dates back to 1993, when the Kremlin first made the decision to ban the import and use of right-hand drive Japanese vehicles. The import business at that time was fairly new, and organized crime has muscled aside most of the legitimate dealers. The Kremlin framed the ban as a crackdown on organized crime. When residents throughout the Russian Far East staged protests against the ban, the federal government reversed its decision. That was an uneasy time for Russian President Boris Yeltsin, who was busy dealing with numerous economic, political, and social problems. The burst of social unrest in the Russian Far East apparently was extra trouble the Kremlin did not want on its plate at the time.

¶3. By the early 2000s, the business was mostly legitimate and organized crime had largely lost its role in importing Japanese cars, and Moscow's efforts to ban the trade needed a new spin. Science and Industry Minister Ilya Klebanov revisited the issue, stressing what he called the inherent danger of right-wheeled vehicles in right-side traffic. Primorye Duma deputies sent a petition to President Vladimir Putin supporting constituents' right to use the more affordable and reliable used cars from Japan. For a second time, the Kremlin decided not to press the issue, and the motion to ban the autos was put on hold.

¶4. In 2005, the federal government initiated the development of an amended federal road safety statute which specified configuration standards for all automobiles used in Russia. The proposed legislation was comprehensive and dealt with many aspects of automobile regulation, including licensing and registration. Critics pointed out the fact that it also mandated left-side steering wheels -- a clause that would effectively abolish Japanese imports. Authorities also announced an increase in import tariffs for foreign vehicles. Again, the reaction of RFE residents was to organize a series of protests, and the government backed down on the restrictions and tariff increases.

## Governor's Death -- Blame the Japanese Car

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15. The matter resurfaced just a year later after the death of Altai Governor Mikhail Yevdokimov in an automobile accident. Federal authorities placed the blame on the driver of a Japanese car, pointing out the supposed lack of safety inherent in the import. Many observers voiced the opinion that the driver and car were being used as a scapegoat and pointed out that the governor's Mercedes had been traveling at 120 miles per hour. The new group Svoboda Vybora (Freedom of Choice) organized several protests in support of the driver and right-hand drive automobiles.

## Plans to Bolster Domestic Production

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16. It was during those protests that President Putin first announced plans to establish foreign auto assembly plants in Russia, and attempted to drum up investor support for Lada producer AVTOVAZ. Toyota had been to Primorye in 2003 looking into the possibility of establishing a plant there, but eventually cancelled the project, saying the Russian Far East's market was too small to be profitable. Several plants were eventually set up in Western Russia, but no foreign automobile manufacturer took the plunge in the East. To show their support for the Japanese autos, Far East residents organized a campaign to collect donations for the purchase of a right-hand drive Toyota to be presented to the President as a gift. The plan was to drive the car from Vladivostok to Moscow as a demonstration of its reliability, though fundraising proved insufficient for the purchase and the idea was never implemented.

## Largest Protests Yet

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17. The latest round of protests began in late 2008, when the federal government announced its decision to increase tariffs for imported cars five years and older by 35 percent. Authorities insist that new increases will be in effect for only nine months, but few residents believe they will be rolled back in October as planned. Though the tariffs apply to all imports, the move in fact serves as a practical ban on Japanese used cars. Motorists and car dealers staged numerous rallies to protest the decision, which have now been taking place for several months. The December 21 rally turned violent and resulted in large-scale detentions by OMON forces sent in from Moscow. The federal government has pointed fingers at several supposed instigators of the unrest, ranging from the CIA to the Soros Fund and the Rotary Club. A government contact recently confided to Poloff, however, that "no one actually believes that."

18. In response, Prime Minister Putin announced a program aimed at replacing demand for Japanese used cars with new cars assembled in Russia. The program includes a federal government loan interest subsidy to buyers of new domestically-produced vehicles and a 2 million-ruble subsidy to Russian Railroads to deliver such cars to the Far East. Despite the financial incentives, RFE buyers remain largely indifferent to the Russian-made Ladas, Fords, Chevrolets, KIAs, and Renaults. So far only 20 Ladas -- reportedly for official use by municipalities -- have been delivered to the Russian Far East, and banks are hesitant to grant loans for new car purchases. The Kremlin has also announced plans to establish assembly plants in the Russian Far East. The immediate outcome of the recent tariff increase and resulting drop in imports has been that, according to local analysts, over 100,000 RFE residents involved businesses related to dealing, transporting, and servicing Japanese cars have lost their jobs.

## Comment

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19. Though Moscow has backed down in the past on its efforts to stem the flow of Japanese imports, it is clear that the Kremlin does not plan to negotiate on the issue now. Moscow will likely continue its tolerance of protests in the RFE, but will not back down. The project of assembling trucks, vans, and buses in Primorye has met with little enthusiasm with locals, and Russian-made cars -- even Western brands -- have a bad image regarding quality. If the government does decide to ease up on its fight against Japanese cars, it will likely save face by allowing the tariffs to expire in October, but not sooner.

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